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Pulling together: Co-op advertising Special Section

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MAY 13,1985

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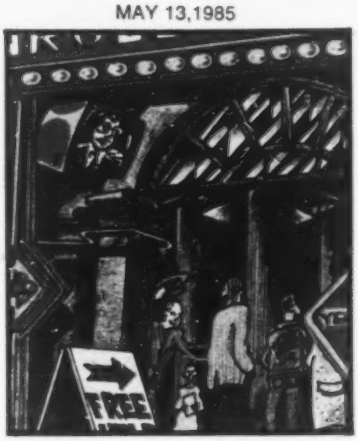

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ABP BPA ABC

Metro wars

Gang wars. Holy wars. Gas wars. Price wars. Star wars. All battles for supremacy. Fighting to be No. 1. Nations do it. Businesses do it. Even educated fleas do it. It all really boils down to just one thing: competition; man's inherent need to be the best.

In today's more civilized world, where the marketplace is one of the bloodiest battlefields, a reasonable alternative now exists: metro area rankings. When slaughtering your next door neighbor has become tediously old-fashioned; when looting and sacking the camps of the opposition has lost its attraction, there is still the option of damaging the collective ego of your geographic rivals with embarrassing demographic data.

What state has the lowest average SAT scores in its high schools? Don't ask anyone in Arizona; they haven't figured it out yet. Who ranks first in suicides? It's Nevada—but that's probably because, aside from losing all your money gambling, there's nothing much else to do out there. How about the greatest number of bowling lanes per capita? Who says those people in Green Bay don't know how to have fun? The least crime? Wheeling, WV, naturally. Know why? There's nobody there to rob. There's nobody there period. Once you know the answers, a certain logic begins to emerge—along with enough material to keep Johnny Carson's writers in business for the rest of the year.

All of these wacky facts were culled from the newest edition of Rand McNally's *Places Rated Almanac*, a book that has been getting miles of press for its ratings of 329 U.S. metro areas in a number of different categories. Climate, housing, crime, transportation, education, and other quality-of-life information has been gathered from a wide selection of sources, and an overall rating system shows us who's No. 1 (and also who's No. 329). For those metros high in the ranks, the positive PR mileage gained from this kind of publication is looked on with some reverence. For those at the bottom, pronouncements concerning the family lineage of the publishers is a more common reaction.

S&MM, in its *Survey of Buying Power*, has published annual metro market rankings for more than 40 years. Chambers of commerce, newspapers, and radio & TV stations are all heavy users of this data—of any data—that will show them in a good light. The fifth largest metro, the greatest number of households, the most retail sales—these are the things that local advertising and PR people dream about when they go to sleep at night.

As seen by the Survey

Before and after taxes: Places Rated Almanac vs. Survey of Buying Power

Highest average household incomes*		Highest average household EBIs**	
Metro	Household income	Metro	Household EBI
Anchorage, AK	$51,601	Nassau-Suffolk, NY	$41,462
San Francisco	47,967	Bridgeport-Stamford-Norwalk-Danbury, CT	41,091
Bridgeport-Stamford-Norwalk-Danbury, CT	47,258	Lake County, IL	39,926
Midland, TX	46,458	Anchorage, AK	38,159
Casper, WY	43,388	Middlesex-Somerset-Hunterdon, NJ	37,100

*—Average household income is defined as per-capita personal income multiplied by the average number of persons in a household (2.8) for the metro in question.
**—Average household EBI, or effective buying income, is calculated by dividing a metro's total EBI by the number of households. EBI is roughly equivalent to disposable, or after-tax, income.
Sources: U.S. Bureau of Economic Analysis, *Survey of Current Business*, April 1984. S&MM *Survey of Buying Power Data Service*, 1984.
*Sales & Marketing Management.

Metro or megalo?

So when the *Places Rated Almanac* hit the streets with the earth-shaking news that Pittsburgh was the most desirable place to live in the U.S., people sat up and took note. Of course, the people that took the most notice were the people in Pittsburgh. But for every No. 1, there's got to be a No. 329, and the people of last-place Yuba City, CA, got their fair share of press too. Each time Pittsburgh found its way into print, Yuba City was right there with it.

Other metros have made use of flattering data to help promote themselves, and for just about any ranking that says it's so, there's another that says it's not. For example, last year the Census Bureau published a table that ranked the top 50 metropolitan areas in terms of population. Just days after the release of this information, Florida's *Orlando Sentinel* ran a story that proclaimed, "762,000 Say Orlando is a Top-50 City"—technically correct. In the bureau's table, consolidated areas, or CMSAs, were included as metros, since they were, technically speaking, metropolitan markets. The reality of the situation is that CMSAs are actually made up of contiguous groups of metros, forming the large megalopolitan areas like New York-Northern New Jersey-Long Island or San Francisco-Oakland-San Jose. Naturally, on the bureau's list of the top 50 markets, all of the consolidated areas came first, followed by the regular metros. And with places like Oakland, Newark, and Nassau-Suffolk already eliminated, Orlando easily skated to a 49th-place finish.

S&MM's rankings, on the other hand, show Orlando as the 60th-largest metro, because all metros are listed equally and individually. But you certainly can't blame Orlando for using the list that makes it look the best. The truth is, everybody does it. Just about any metro can find something to proclaim themselves "No. 1" in. The real question is, when you've discovered that you're "the nation's biggest producer of sausages and other prepared meats," do you really want to advertise it?

By Richard Kern,
Editorial Director, S&MM Surveys

WWF characters for a children's TV series this fall.

Will success spoil Vince MacMahon and the WWF? At this point, it's too early to tell.

"Am I a marketer or a promoter?" asks MacMahon. "As a kid, I put up the rings. Then I learned the business. Am I this or am I that? — I don't know. I don't stop to think about it."

LEISURE MARKETS

Peddling bikes

Schwinn Bicycle Co., in business since 1895, is rolling out a new lightweight line and a $2 million national print and TV advertising campaign this spring in 26 cities.

Schwinn, like other bicycle companies, is getting set to capitalize on the recent resurgence in cycling. The Chicago-based company's specific goal is to increase its market share by 10%, to 20% of the U.S. market.

"Business is finally picking up for the industry," says Bill Austin, group vice president in charge of marketing, sales, and distribution. "Today's consumers are looking to move up in both quality and service, two areas we feel we're well equipped to handle."

Schwinn goes for the hard sell to push its new lightweight line.

Schwinn now has a complete line of quality lightweight bikes available at premium prices ranging from $300 to $800, and the company feels that offering this type of line should help overcome a perception that Schwinn bikes are heavier and not as well built as other brands—particularly the imports.

"We've completely restyled and repositioned our lightweight line," says Austin. "We are now very competitive and very state of the art."

In addition, Schwinn still sells only through authorized dealers and not through big companies like Sears or J.C. Penney. As a result, Schwinn says its customers get better service for their bikes.

With demand up noticeably this year, Schwinn dealers are once again placing heavy orders to keep pace with a public eager to get back on the road. Not that the public has anything on company execs: president and chief operating officer, Edward R. Schwinn, Jr., great-grandson of founder Ignaz Schwinn, is a regular rider—a fourth generation biker.

MARKET HIGHLIGHT

Hi-tech industries: the action spreads across the map

The millions of dollars spent by have-not states to attract hi-tech industries may be paying off, according to a S&MM analysis of data provided by the American Electronics Assn. (AEA), which maintains a proprietary data base of such companies.

While the U.S. total of hi-tech companies rose 12.7% to 13,215 between March 1984 and January 1985, according to AEA data, the comparative gain in the 10 leading states trailed at 11.4%. As a result, the leading states' share slipped from 74.9% to 74.1%. More revealing is the fact that the top three states' share fell more sharply, from 50.7% to 49.3%.

The top 10 hi-tech states

1985 Rank	State	No. of Firms 1/85	Increase 3/84-1/85	Share of U.S. Total 1/85	Change 3/84-1/85
1.	California	4,451	397	33.7%	−0.9
2.	Massachusetts	1,033	96	7.8	−0.2
3.	New York	1,031	83	7.8	−0.3
4.	New Jersey	640	85	4.8	+0.1
5.	Texas	574	129	4.3	+0.5
6.	Illinois	487	29	3.7	−0.2
7.	Minnesota	427	58	3.2	+0.1
8.	Pennsylvania	389	38	2.9	−0.1
9.	Oregon	386	48	2.9	N.C.
10.	Florida	373	39	2.8	N.C.
	10-state total	9,791	1,902	74.1%	-0.8
	U.S.	13,215	1,499	100.0%	N.C.

N.C. No change.
Note: Details may not add to totals due to rounding.
Source: American Electronics Assn.
*Sales & Marketing Management.

MARKET EXPANSION

Ice cream market heats up

Kraft, the venerable giant in the food industry, has moved into the gourmet ice cream business, hoping its presence will heat up the competition. Kraft is mum about its plans

Marketing managers no strangers to the PC

Marketing personnel, at least in larger companies, may be taking to PCs more widely than is popularly believed, suggests a new survey by Trinet, the Parsippany, NJ, subsidiary of Control Data. More than half, 53%, of the marketing and advertising managers at Fortune 1500 companies use PCs in their offices, according to the Trinet survey of a random sampling of 200 marketing and advertising managers in large corporations.

Roughly one-fifth of the managers, 23%, use their PCs to access on-line company data bases on a daily basis. Another 47% of the marketers surveyed do so several times weekly, says Laurel Saville, Trinet's marketing communications specialist.

But the computer still ranks very low as an information source. Compared to the 23% who tap into it daily for information, internal memos are used every day by 54%; business/financial publications, 50%; industry/specialized periodicals, 36%; internal reports, 32%; news clippings, 30%; customers/prospects, 28%; radio, 28%, and TV, 25%.

One out of five managers said they also use a PC at home. Trinet did not ask them whether this was for office- or personal-related use.

Most popular PC-based applications by marketing, advertising managers

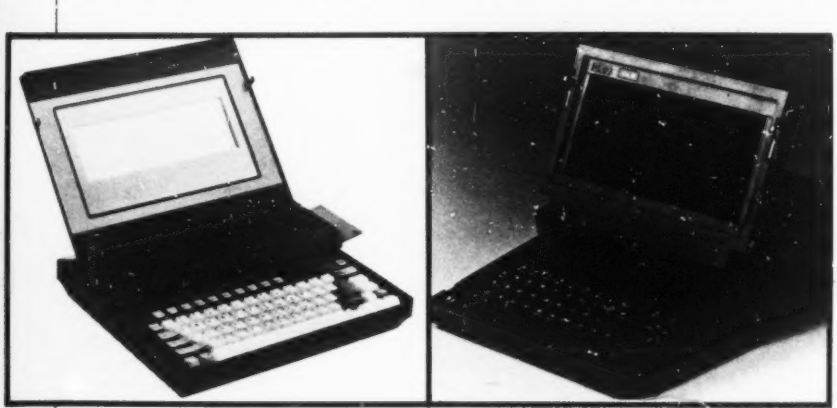
Current marketing intelligence	52%
Current product planning	51%
Financial analysis	46%
Long-range planning	43%
Product information	41%
Personnel matters	13%
Public affairs	9%

Source: Trinet Inc., *Managerial Information Use Report.*
*Sales & Marketing Management.

Grid, Kaypro debut new lap-tops

Sales of lap-top PCs may be sputtering (S&MM, March 11), but that doesn't stop marketers from fielding new entries with which to entice sales force buyers. Last month, Grid Systems, Mountain View, CA, and Kaypro, Solana Beach, CA, unveiled new models aimed at opposite ends of the portable spectrum: Grid at the high end, Kaypro at the low end.

Grid's three new entrants, under the GridCase label, aim at correcting a major weakness of its existing Compass line: lack of IBM-compatibility. Kaypro, too, touts the IBM-compatibility of its new Kaypro 2000. Such compatibility is a strong element because it enables lap-tops to communicate with desktops.



Kaypro and Grid both stress IBM-compatibility of new units.

Grid's new trio drops the bubble memory the Compass line employs, replacing it with a floppy disk drive (720K). Also featured in one of the new models is a gas plasma display that, marketing vice president Alan Lefkof says, "is particularly suited to group presentations." Starting base prices: $2,975 to $3,150.

The Kaypro 2000, with 256K memory and a 25-line screen, is priced at $1,995. Marketing chief David Kay thinks the price will win him sales from what he calls his "two closest competitors"—the Data General/One, priced at $2,895 with only 128K memory, and Hewlett-Packard's H-P 110, priced at $2,995 with only a 16-line screen.

Aaron Goldberg, analyst with International Data Corp.'s (IDC), Santa Monica, CA, office, says neither company brings anything sig-

JD's new guidelines draw some flack

The Justice Department claims otherwise, but its four-month-old vertical restraints guidelines would eliminate brand name discounting if enacted, critics contend. "They amount to a backdoor attempt by the Justice Department to legalize vertical resale price-fixing—exactly what Congress expressly forbade it two years ago from doing," says Charles Price, a Washington, DC, attorney who represents numerous small businesses. He takes exception to the JD's view that the rules are aimed at helping courts screen out "nuisance" antitrust cases of a nonprice nature and won't change current law (S&MM, Feb. 4, page 80).

Price insists the guidelines would permit a supplier to adopt price restraints merely by packaging them as being ancillary to nonprice restrictions. Says Monroe Milstein, CEO of Burlington Coat Factory Warehouse Corp.: "In my industry, nothing would be simpler for a manufacturer than to formulate a system of seemingly neutral vertical restraints that in fact mask a price-fixing arrangement. Indeed, the guidelines appear to encourage such behavior."

What's more, the two contend, the policy would allow intrabrand retail competitors to collectively impose horizontal restraints—a clear antitrust violation—by requesting the manufacturer to do it. "A manufacturer faced with the coercion of large retailers could well use the guidelines to create a sham distributional program with an ancillary price-fixing element inserted at the behest of full-price retailers," Milstein laments.

The two are members of a coalition that is asking Congress to reprimand the JD for its bold new interpretation of antitrust law, just as it did to block advocacy of resale price maintenance. At presstime, however, no serious effort had been launched to counter the rules.

Meanwhile, in its first invocation of the guidelines, the Antitrust Division has said it won't block a distribution plan devised by Tom's Foods, a Columbus, GA, snack foods maker, that confers exclusive territories on independent distributors, requires minimum and annually increasing purchases, and regulates use of its trademarks.

Loose lips sink chips

A lot of irresponsible talk about the demise of the home market for computers has erupted in the wake of IBM's decision to stop production of its PCjr. The PCjr was a flawed product from the beginning and marked one of the few times IBM's planning expertise failed to properly gauge a market. As Edward Poshkus, president of Creative Strategies, observes, "The PCjr was too high-priced for the home market."

Projections of unit shipments for 1985 by four leading researchers show a continuing uptrend for home computer sales:

	1985 (millions of units)	% Change vs. 1984
Link Resources	5.0	+11.1%
Future Computing	5.4	+12.5%
Dataquest	5.6	+40.0%
InfoCorp[1]	2.3	No change

[1]Less than $6,000; end-user sales

If 1985 growth won't match the heady pace of earlier years, it's because the market has entered a transition period. A recent household survey by Dataquest, says industry analyst Peter Teige, reveals that consumers "are looking for a PC more in line with that of a basic business machine and with a ceiling price of $1,000."

Computers are now in 10% of all households and they're being put to a variety of tasks, says Andy Bose, director of microcomputer marketing analysis, Link Resources. While education and entertainment functions still lead, he adds, 60% of computer owners use them for filing and managing information, 40% for word processing, and even 20% for electronic spread sheets.

A Future Computing survey of 70,000 households finds the home market "alive and doing well," says analyst Hilda Uribe, with dollar sales surging 47% to $2.5 billion in 1984.

It may also be noted that home computers compete against other leisure-time products. Right now, VCRs and microwave ovens are the hot electronic products, and it's a matter of debate how much hi-tech gadgetry the typical family can take on at one time.

If Atari and Commodore succeed in bringing to the market a Macintosh-like product at half the price, the sales tempo will turn brisk and the PCjr's demise will be a mere blip in the steady expansion of the home computer market.